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STATE FOR INL JAMES HIDES, STATE FOR WHA/BSC, TREASURY FOR
OSIA MAUREEN WAFER, TREASURY FOR OTA WARFIELD, VAN KOCH,
MILLAR

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SUBJECT: PARAGUAY: RESPONSE TO MAJOR LIST / CERTIFICATION
PROCEDURES FY 2008

REF: A. A. STATE 72494
[1](#)B. B. STATE 00056829

[1](#)1. Below find Post's submission on the Government of
Paraguay (GOP) cooperation on counter-narcotics and other
drug-related issues.

[1](#)2. The United States Government (USG) asked the GOP to keep
pressure on major international drug organizations
trafficking drugs through investigations, arrests,
prosecutions of their key members and seizures of their
assets.

-- The GOP through its Anti-Drug Secretaria (SENAD) has taken
significant measures to disrupt trafficking organizations in
Paraguay.

-- Working in concert with antinarcotics prosecutors and DEA
agents, SENAD arrested five traffickers, including the son of
a well-connected Paraguayan politician, June 2006, seized 195
kg of cocaine and impounded the airplane used in transporting
the drugs.

-- SENAD also hit traffickers where it hurts -- their wallets
-- by seizing over 1,200 weapons, 38 vehicles and 3
airplanes. SENAD also seized 1.5 million in assets
(including a farm) from Anroldo Mareira-Macedo, a Brazilian
fugitive connected to the Mendes Mezquita case (Mezquita was
extradited to U.S. in 05); this latter case demonstrates
SENAD's commitment to target higher-valued assets.

-- SENAD oversaw creation of new facility with a helopad)
thanks to INL funds) in Pedro Juan Caballero in a region
notorious for drug trafficking. It also won Congressional
approval to fund 50 new agents. The Embassy's Military
Information Support Teams (MIST) have funded a publicity
campaign including billboards that include the names and
photos of Paraguay's most wanted traffickers, effectively
forcing them into hiding.

[1](#)3. The USG asked the GOP to expand SENAD's operation in
Ciudad del Este (CDE) in the tri-border area, to emulate its
success in Pedro Juan Caballero (PJC) and to increase efforts
to shut down clandestine airstrips in the Chaco region that
are used by drug traffickers.

-- SENAD was not able to expand its operations in CDE as it
would like for lack of funds. However, SENAD signed a
Memorandum of Agreement (MOA) with the International Guarani
Airport in CDE to establish a Canine Unit at the airport
using INL funds. We expect this facility to be fully
functional by August 07. It will host three officers and two

dogs; they will inspect airport passengers and cargo for illegal drugs.

-- As noted prior, SENAD opened its new office in PJC in August of 2006, on Paraguay's border with Brazil, an area notorious for drug trafficking and other illegal activities. The office allows SENAD to base upwards of 25 agents in this region. The U.S. provided \$500,000 to complete this facility to include the construction of a helicopter pad and support facilities that were inaugurated April 2007. This new facility greatly enhanced SENAD's capability to launch effective operations targeting major traffickers and their activities in the region.

--SENAD has not effectively shut down clandestine airstrips in the Chaco region that are used by drug traffickers. However, SENAD was able to identify a significant number of the airstrips in the Chaco region. SENAD surveillance has produced vital intelligence that in turn has led to significant drug and weapons seizures.

14. The USG asked the GOP to provide adequate funding for SENAD, so that it can continue to execute its responsibilities and conduct operations against major narcotics traffickers.

-- The Paraguayan Congress' decided October 2006 to provide expanded funding for SENAD allowing the hiring of 50 new SENAD agents. INL will provide funding for the agents to participate in DEA training August 2007.

-- SENAD continues to lack sufficient funds for helicopter fuel, constraining its ability to use effectively its new facility in PJC (e.g. It has yet to conduct an operation using a helicopter from its new PJC facility). It also lacks

funds needed to expand operations throughout the country.

Cultivation

15. The USG asked the GOP to continue to put pressure against illegal drugs being cultivated or produced in Paraguay.

-- Paraguay is not a major manufacturer or consumer of narcotics, but does produce marijuana which is primarily trafficked for consumption to neighboring countries in South America. It is cultivated throughout the country, but principally along the border with Brazil and Bolivia. The GOP through SENAD has made significant advances by destroying more marijuana in remote areas than the previous year. All told, SENAD destroyed a total of 1,200 hectares in 2006 reflecting an increase of 20 percent over 2005.

Consumption / Demand Reduction

16. The USG asked the GOP to extend their Demand Reduction Program to Pedro Juan Caballero (PJC) area in addition to the central district.

-- SENAD has the principal coordinating role under the "National Program against Drug Abuse" and works with the Ministries of Education and Health and several NGOs. Unfortunately, SENAD's available budget for the Demand of Reduction Program is very limited and this limitation prevents SENAD from reaching out to more areas of the country on its own. SENAD's Prevention Unit does most of its outreach work in schools in the Central Department surrounding Asuncion. This year SENAD extended the prevention program to PJC.

-- The Prevention Unit held 1,409 workshops in 167 schools reaching 43,482 people including students, parents and teachers with its drug awareness program during 2006.

Official Corruption

¶7. The USG asked the GOP to take active measures as they are needed to rid the rank of law enforcement, prosecutors and judges of personnel credibly suspected of having links to drug traffickers, money launderers and others who commit drug related crimes.

-- Corruption and inefficiency within the Paraguayan National Police (PNP) and the judicial system negatively affects SENAD operations. Paraguay's former Interior Minister named Aristides Cabral a Regional Security Advisor to the Ministry of the Interior in Alto Parana in May 07. Cabral has been implicated in drug trafficking and was passed over for promotion due in large measure to the concerns we raised about his alleged involvement in drug trafficking.

-- Paraguay's \$35 million MCA program is focused on combating impunity and informality. The government has used these funds to create, vet, and equip several investigation units but corruption remains a serious problem. SENAD has an Internal Affairs Unit that has investigated several cases of malfeasance.

¶8. We have asked the GOP to address rumors of illegal activities in Customs Service, Ministry of Hacienda (Tax Authority).

-- As noted prior, Paraguay's MCA's program has funded efforts to create investigation units in each of these offices. The programs rely on polygraph exams to weed out corrupt officials. These units however need to do much more to combat institutionalized corruption.

¶9. The USG asked the GOP's Anticorruption Unit to be commended for opening investigations in 2006 into suspected activities by Victor Bogado, the President of the House of Deputies, and Humberto Galeano, the former head of President Duarte's protection unit.

-- Prosecution of several high level officials carries high symbolic import. Bogado, however, is protected from prosecution by congressional immunity. It remains to be seen whether the Attorney General's office will be able to deliver a conviction against Galeano. Meanwhile, Paraguayan Diputado Magdelano Silva is alleged to be implicated in drug

trafficking but faces no current formal investigation.

Legislative Measures

¶10. The USG asked the GOP to adopt an anti-money laundering and anti-terrorist financing legislation in order to meet its international obligations.

-- The Paraguayan House of Deputies passed a Penal Code Reform Bill that contains key provisions that strengthen existing legislation on money laundering and criminalize, for the first time, terrorism financing. This bill awaits Senate approval.

-- Companion legislation in the form of a Procedural Code Reform Bill is still under review by a special commission but should be ready for presentation to Congress in the coming months. Embassy's RLA has participated on the commissions drafting both bills.

-- Once the Penal Code and Procedural Code Bills along with legislation improving the regulation of Paraguay's FIU are passed, it will be essential to provide Paraguay's judicial authorities the necessary training to implement these laws.

-- Three new investigative units within the Ministry of Finance are using the tools they have at hand to recommend for prosecution violators of Paraguayan law. Tax, customs, illicit enrichment, and public corruption cases are being referred to the public ministries office. Adoption of the afore-discussed legislation will strengthen the ability of

these units to support the successful prosecution of complex financial crimes, including money laundering.

¶11. The USG asked the GOP to regulate the importation of pseudo ephedrine, and to improve the law enforcement efforts for other cocaine precursor chemicals.

-- Currently a chemical control law is in place. Both SENAD and the Health Department regulate individuals or companies obtaining precursor chemical permits. However, budget constraints limit their ability to conduct operations targeting violators across the country.

-- The GOP through SENAD and the Department of Health also regulates the importation of pseudo ephedrine. Under the current legal regime, violators can be charged with illegal import of controlled substances and other related crimes, such as tax evasion, facing terms of five to ten years in jail.

Money Laundering

¶12. The USG asked the GOP for additional financial and human resources that are needed for SEPRELAD's FAU, SENAD's UIDF, and the Attorney General's Office (Fiscalia), to enable them to effectively investigate and prosecute money laundering, terrorist financing, and other financial crimes.

-- The Attorney Generals' Office plans to incorporate the Anti-Corruption Unit into the Economic Crimes Unit allowing for additional prosecutors to engage in cases involving money laundering.

-- Once Paraguay adopts the Penal and Procedural Code Bills noted earlier, it will be essential to support efforts to train key judicial authorities in the implementation of this legislation.

¶13. The USG asked the GOP to apply other initiatives that would improve the effectiveness of the GOP's anti-money laundering regime which includes: conducting outreach activities to sensitize financial institutions about reporting requirements and improving coordination and information sharing protocols between the SEPRELAD FAU, the SENAD UIDF, and the Public Ministry that prevent compromise of law-enforcement-sensitive information.

-- The Public Ministry has demonstrated greater willingness to work closely with other agencies, SEPRELAD and SENAD's UIDF that can contribute to the prosecution of complex financial crimes. SENAD's UIDF and the Public Ministry are presently working together on several important cases.

¶14. The USG asked the GOP to control the movement of bulk cash across its borders as it is another key issue that calls for greater active involvement by the GOP.

-- Paraguay's efforts to combat the movement of contraband across borders remains uneven notwithstanding the creation of new investigation units in the Finance Ministry, including Customs. Controls on the movement of cash remain deficient. Airlines give out forms upon entry into Paraguay for passengers to declare cash. However, the vast majority of individuals fail to report the import and export of cash and customs does little to dissuade travelers from not providing this information.

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